

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**June 9, 2004**

<b>IN RE:</b>	)	
	)	
<b>TARIFF TO REDUCE RATES IN ACCORDANCE</b>	)	<b>DOCKET NO.</b>
<b>WITH UTSE'S 2003 PRICE REGULATION FILING</b>	)	<b>03-00576</b>
<b>Tariff number: 2003-1121</b>	)	

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**ORDER APPROVING TARIFF**

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This matter came before Chairman Deborah Taylor Tate, Director Pat Miller and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on November 10, 2003, for consideration of the Tariff No. 2003-1121 ("*Tariff*") filed by United Telephone-Southeast, Inc. ("UTSE") to Reduce Rates in Accordance with its 2003 Price Regulation Filing.

**UTSE's Filing**

On October 10, 2003, UTSE submitted its 2003 Price Regulation Filing for approval by the Authority.<sup>1</sup> This filing represents UTSE's calculation of its 2003 Price Regulation Index ("PRI") and Service Price Index ("SPI") pursuant to Tenn. Code Ann. § 65-5-209 and the price regulation methodology stipulated to and approved by the authority in *In Re: United Telephone Southeast, Inc. Tariff No. 96-201 to Reflect Annual Price Cap Adjustment*, Docket

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<sup>1</sup> UTSE elected to become a price regulated company pursuant to Tenn Code Ann § 65-5-209 on June 16, 1995, UTSE submitted a price regulation plan, which the Authority approved on September 20, 1995

No. 96-01423.<sup>2</sup> Tenn. Code Ann. § 65-5-209 permits a maximum annual adjustment to UTSE's revenues based on the inflationary formula specified in Tenn. Code Ann. § 65-5-209(e).

Review of this tariff requires a determination of the indexing of UTSE's annual revenues allowed under price cap regulation and the resulting rate changes necessary to reflect the indexed revenues. UTSE's price regulation calculations indicate that its current basic rates generate \$14,000 more than is allowed under the statutory indexing plan and the methodologies adopted by the Authority. Accordingly, UTSE has filed a tariff that would reduce basic service revenues by \$20,000.<sup>3</sup> Approval of this reduction will bring UTSE's basic rates \$6,000 below the established cap. UTSE's current prices for non-basic services generate \$1.8 million less than the maximum allowed under state law and the methodology adopted by the Authority. The Company is not proposing any increases to non-basic rates at this time.<sup>4</sup>

### **Findings**

Upon a careful review of UTSE's overall price cap filing, the Authority found that UTSE has calculated its basic and non-basic price regulation indices in accordance with Tenn. Code Ann. § 65-5-209 and the methodology approved by the Authority.<sup>5</sup> At the November 10, 2003 Authority Conference, the panel voted unanimously to approve UTSE's 2003 Price Regulation Filing as well as the rate reductions contained in Tariff 2003-1121 as proposed to become effective on November 15, 2003.

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<sup>2</sup> See *In Re United Telephone-Southeast, Inc Tariff No 96-201 to Reflect Annual Price Cap Adjustment*, Docket No 96-01423, *Order Approving in Part and Denying in Part Tariff No 96-201* (September 4, 1997)


<sup>3</sup> UTSE's tariff reduces business touch-tone rates from \$1.25 to \$1.20 per month

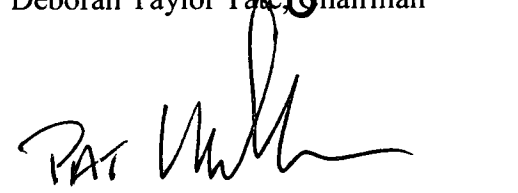
<sup>4</sup> "Basic local exchange telephone services" and "non-basic services" are defined in Tenn. Code Ann. § 65-5-208(a).

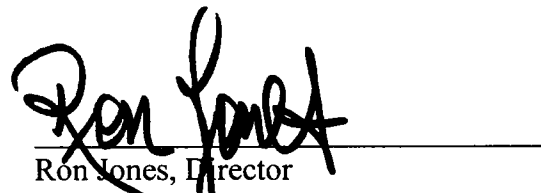
<sup>5</sup> UTSE used an inflation factor of 0.4 percent (0.4%) to calculate its Price Regulation Index. This factor represents 2 percent (2%) less than the annual change in inflation from the first quarter of 2002 to the first quarter of 2003, which was 2.4 percent (2.4%). This formula is specified in Tenn. Code Ann. § 65-5-209(e).

**IT IS THEREFORE ORDERED THAT:**

1. United Telephone-Southeast, Inc.'s Computation of its Price Regulation Index and Service Price Index, filed on October 10, 2003, is approved.
2. United Telephone-Southeast, Inc.'s tariff to reduce rates for basic services is approved.

  
Deborah Taylor Tate, Chairman

  
Pat Miller, Director

  
Ron Jones, Director